



## Press Release

**Dhwaja Shares & Securities Private Limited**

**October 19, 2022**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term / Short Term Bank Facilities	185.00	IVR BBB- / Stable Outlook / IVR A3 [IVR Triple B Minus with Stable Outlook / IVR A Three]	Assigned	Simple
<b>Total</b>	<b>185.00 (Rupees One Hundred and Eighty Five Crore Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Dhwaja Shares & Securities Private Limited (DSSPL) derived strength from experienced promoters and team of management, improved operating income with healthy profitability margins, healthy financial risk profile, strong risk management policy. The ratings however constrained by risks associated with proprietary trading business, which remains key earnings driver, dependence on capital markets, which are inherently volatile and cyclical in nature and increasing competitive business segment.

### Key Rating Sensitivities:

#### Upward Factors

- Sustained improvement in the total operating income of the company on the back of increase in customer base and higher revenue contribution from its existing customers
- Improvement in risk management system

#### Downward Factors

- Deterioration in capital structure due to any un-envisaged incremental borrowings
- Depletion in the customer base leading to lower brokerage income in the medium term
- Any significant deterioration in the liquidity position of the company from its current levels



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- Changes in the regulatory environment

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters and team of management**

DSSPL incorporated in 2005, has an established operational track record in the equity broking business. The company is promoted by Mr. Sunil Anandpara, he is a founder director and has more than two decades of experience in stock broking business. He started his career as an investor and trader and continued his business as a Sub-broker for more than decade and after that he incorporated DSSPL. The company's experienced promoters and long-established track record has helped to build healthy relationship with their customers. Apart from directors, the company is managed by team of professionals to execute and monitor the work undertaken for satisfactory completion of work. Further all the key managerial associated with this company for more than decades.

- **Improved operating income with healthy profitability margins**

The total operating income of DSSPL has improved significantly by ~82% and stood at Rs.295.65 crore in FY22 (A) {vis-à-vis Rs.161.92 crore in FY21 (A)} primarily on account of increasing in trading volume coupled with addition of new clients. Further profitability margins of the company remained healthy marked by EBITDA margin stood at ~77% and PAT margin at ~57% respectively in FY22 (A) {vis-à-vis 60% and 42% respectively in FY21 (A)}. Further till August 31, 2022 company has already achieved revenue of Rs.191.10 crore. The profitability margins remained healthy on the back of increase in the scale of operation and corresponding economies of scale associated with it. Further DSSPL has successfully managed to maintain its profitability margins over the years.

- **Healthy financial risk profile**

The overall financial performance was supported by higher traded turnover and increase in active clients resulting in sizeable accretion to reserves, further improved market sentiments should further enhance the core trading income and broking income in the near term. Further the financial risk profile of the company remained healthy marked by healthy networth of Rs.298.19 crore as on March 31, 2022 as against Rs.144.16 crore as on March



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31, 2021. The capital structure of the company has remained comfortable marked by overall gearing and total outside liabilities/tangible net worth (TOL/TNW) of 0.00 times and 0.76 times respectively as on March 31, 2022 mainly due to low debt profile of the company only comprise of unsecured loans from promoters, related parties and company's major bank facilities are non-fund based in nature. Further gearing has remained low because debt has been availed largely to fund the margin trading facility of clients. Further the interest coverage ratio has significantly improved and stood at 86.75 times in FY22 (A) {vis-à-vis 21.30 times in FY21 (A)} mainly on account of improvement in operating profit coupled with lower interest cost during the year. Despite healthy business prospectus, gearing is not expected to increase materially over the medium term.

- **Strong risk management policy**

DSSPL follows a stringent risk management policy where the policy document clearly defines the nature of customer transactions, setting up client exposure limits in cash segment and F&O segment, Script wise exposure limits in cash and F&O segment, order limits and limit rules for the client. The policy also includes a well-defined square up process which is run daily to regularize various risk diameters or margin calls.

### **Key Rating Weaknesses**

- **Risks associated with proprietary trading business, which remains key earnings driver**

The proprietary trading business remains exposed to market risk and thus the variability of earnings remains high because of its high dependence on capital markets. The company's total income majorly comprises of income from proprietary trading mainly into derivatives (~80%) and trading of securities (~15%) during the last three financials year ended as on March 31, 2022. The brokerage income is meagre in the last 3 years. Thus, any adverse impact on the equity market will significantly impacted on the profitability of the company. Going forward, its ability to maintain a healthy track record in this business, while ensuring adequate risk monitoring measures to manage the portfolio and market risk, would remain critical from a credit perspective.



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- **Dependence on capital markets, which are inherently volatile and cyclical in nature**  
DSSPL engaged in the stock broking business and the stock market is volatile in nature, Market index like Sensex and Nifty goes up and down throughout the day. The stock market is vulnerable to both domestic and global events.
- **Intense Competition**  
Broking is a highly volatile and cyclical business with the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players This limits the profitability margins of the industry.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology For Service Sector Entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

**Liquidity – Adequate**

The company maintains high cash and bank balance in the form of term deposits and has also other liquid assets which are majorly utilized as margin for bank guarantees and for providing margin to exchanges for trading purposes (both for proprietary trading and its brokerage clients). The company has cash and bank balance including fixed deposits of Rs.163.01 crore as on March 31, 2022 (vis-à-vis Rs.94.81 crore as on March 31, 2021) maintained for settlement of trades at the end of the day.

In addition, the company takes adequate margin from its clients to enable it to maintain liquidity (amounting to Rs.113.85 crore as on March 31, 2022) (vis-à-vis Rs.59.68 crore as on March 31, 2021). The company has negligible repayments in FY23 and has no plans to avail any external debt going forward in medium term and is not currently availing any fund based



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working capital limits from banks. Thus, the overall liquidity position of the company remained **Adequate**.

### About the Company

Dhwaja Share and Securities Private Limited promoted by Mr. Gaurang Shah and Mr. Sunil Anandpara in the year 2005 to carry on the business as share & sub-brokers. Then the company had introduced new directors namely Mr. Hemal Shah and Mr. Jayesh Anandpara as a director of the company in November 2009 and October 2010 respectively.

Earlier the company was worked as sub broker of “Twin Earth Securities Private Limited” main broker of the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited in the year 2007. Further in 2009, company has decided to cancel the sub-broker ship of Twin Earth Securities Private Limited & become main stockbroker of Bombay Stock Exchange Limited and The National Stock Exchange of India Limited and subsequently change the name of company from Dhwaja Securities & Services Private Limited to “Dhwaja Share & Securities Private Limited”. Further, company has acquired the membership of MCX Stock Exchange Limited And also it has appointed IL&FS Securities Services Limited as a clearing member for derivatives & currency segment for all exchanges.

### Financials (Standalone)\*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	161.92	295.65
EBITDA	97.53	227.34
PAT	68.52	168.01
Total Debt	14.25	0.14
Tangible Net worth	130.16	298.19
EBITDA Margin (%)	60.24	76.90
PAT Margin (%)	42.23	56.76
Overall Gearing Ratio (times)	0.11	0.00

*\*Classification as per Infomerics standards*





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**Status of non-cooperation with previous CRA: Nil**

**Any other information: None**

**Rating History for last three years:**

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Non-Fund Based – Bank Guarantee	Long Term / Short Term	160.00	IVR BBB- / Stable / IVR A3	–	–	–
2.	Non-Fund Based – Letter of Guarantee	Long Term / Short Term	25.00	IVR BBB- / Stable / IVR A3	–	–	–

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term / Short Term – Non-Fund Based – Bank Guarantee	–	–	–	160.00	IVR BBB- / Stable / IVR A3
Long Term / Short Term – Non-Fund Based – Letter of Guarantee	–	–	–	25.00	IVR BBB- / Stable / IVR A3

### Annexure 2: List of companies considered for consolidated analysis: Not Applicable

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Dhwaja-Shares-oct22.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).